GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:1
ANSWERED ON:17.12.2008
RATES OF INTEREST FOR HOME LOAN
Rawat Shri Bachi Singh

Will the Minister of FINANCE be pleased to state:

(a) whether certain private sector banks apply the increased rates of interest on home loans uniformly irrespective of the amount of the advances involved whereas the public sector banks apply the increase only to those advance above a particular limit;

(b) if so, the details thereof;

(c) whether the Government proposes to direct the private sector banks to adopt the same norms as that of the public sector banks; and

(d) if not, the details thereof?

Answer

THE MINISTER OF FINANCE(SHRI P. CHIDAMBARAM)

(a) to (d): A Statement is laid on the Table of the Lok Sabha.

Statement referred to in reply to Part (a) to (d) of the Lok Sabha Starred Question No.1 for answer on 17th October, 2008 regarding `Rates of interest for Home Loan` tabled by Shri Bachi Singh Rawat `Bachda`.

(a): With deregulation of interest rates since October 1994, banks fix the Benchmark Prime Lending Rate (BPLR) with the approval of their respective Boards after taking into account the actual cost of funds, operative expenses, minimum margin, etc. Hence banks are free to determine rate of interest for most loans including home loans.

Following the increase in Repo Rate/CRR by the Reserve Bank of India in July/August 2008, many of the public sector banks took the decision not to increase interest on home loans with limit upto Rs.30 lakh.

(b) to (d): Given the extant policy of determination of interest rates by banks themselves, the Government does not have any intention to direct any public or private sector bank to modify interest rate on home loans.